

Service Date: December 20, 1983

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application of)
MONTANA-DAKOTA UTILITIES COMPANY) DOCKET NO. 83.10.74
UTILITY DIVISION for Authority to Implement) ORDER NO. 5039
Increased Rates For Natural Gas Service.)

* * * * *

INTERIM RATE ORDER

FINDINGS OF FACT

(1) On October 31, 1983, the Montana-Dakota Utilities Company (Company or MDU) filed with the Montana Public Service Commission (Commission) its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheets 87-M and 88-M.

(2) The tracking procedure provides for increasing rates on the basis of a Current Gas Cost Tracking Adjustment and an Unreflected Gas Cost Adjustment amortized over a projected 6-month sales period. The application is per Tariff Rate 88 and the resulting increases are based on the following adjustments:

	Residential and <u>Commercial</u>	Industrial <u>Customers</u>
Current Gas Cost Adjustment	41.2¢	44.8¢
Unreflected Gas Cost Adjustment	<u>53.6¢</u>	<u>53.6¢</u>
Net Increase in Current Rates	67.7¢	73.3¢

(3) Included with the filing to increase rates on a permanent basis was an application to increase rates on an interim basis. The interim application requested increases in rates to become effective December 19, 1983, in the full amount stated above.

(4) Included with the filing to increase rates was a request for waiver of the minimum filing requirements.

(5) A hearing date has been tentatively set for the week of January 23, 1984.

(6) The criteria by which the Commission may determine an appropriate interim adjustment in a tracking procedure are found in past Commission tracking orders and in the Commission proposed rules regarding interim relief.

(7) Past Commission orders have established the following criteria to be met in the MDU tracking procedure:

(a) tracking increases are to be based on historic and volumes (Finding of Fact No. 6, Order No. 4476);

(b) interest is not to be imputed on the deferred gas cost balance (Finding of Fact No. 25, Order No. 4476a);

(c) the procedure used by the Company in calculating proposed rates in tracking proceedings should provide for

the maintenance of the 25 percent lifeline discount differential between “Winter” and “Remainder of the Year” rates (Finding of Fact No. 20, Order No. 4742)

(d) the appropriate gas mix on which to base a tracking procedure is that mix last approved within the confines

of a general rate case; furthermore, that mix should apply to both the current and unrelected portions of a tracking procedure (Finding of Fact No. 5, Order No. 4742a);

(e) the Company should not annualize for new sources of gas not having an actual production history within the

test year (Finding of Fact No. 6, Order No. 4742a);

(f) Because of MDU's cutback of purchases from producers by 44 percent, MDU's company-owned

production may be reflected at a level of 50 percent of 56% x 4,259,057 McF for purposes of computing its deferred unreflected gas cost amortization (Order No. 4993b , Docket No. 83.5.34); and

(g) MDWs exhibit detailing purchased gas cost, which is used in computing its Current Gas Cost Tracking

Adjustment should be computed so that the current gas cost amounts reflect the highest cost sources of supply being allocated to the category "Gas Subject to Cutback, Possible Sale or MDU Storage."

(8) The Commission's rules regarding interim relief are contemplated to provide relief on a "make—whole" basis and set forth the guidelines by which the Commission staff is to develop an appropriate level of interim relief. Among other things, the guidelines provide for normalization and annualization of test year booked net income and test year average rate base, utilizing the rate of return authorized in the Commission's most recent decision regarding the subject utility.

(9) An examination of MDU application and accompanying exhibits in this proceeding indicates that the criteria enumerated in Finding of Fact No. 7 have not been met with respect to the Current Gas Cost Adjustment nor the Unreflected Gas Cost Adjustment.

(10) Company production included in the Unreflected Gas Cost Adjustment is not reflective of 50 percent of 56% x 4,259,057 McF. MDU has also not restated Exhibit A to reflect the highest cost sources of supply being allocated to the category “Gas Subject to Cutback, Possible Sale or MDU Storage,” which in this case constitutes 21,327,267 McF at 14.73 psia.

(11) The Commission has made computations to remedy the filing deficiency associated with the unreflected gas cost balances. The effect of increasing company productions to levels last approved lowers the Company’s request by 9.18¢/Mcf for all customer classes.

(12) The Commission will order MDU to file Exhibit A restated per Finding 10 when it files its tariffs. Such tariffs shall reflect restated Exhibit A.

(13) The granting of interim relief in this matter should in no way be misinterpreted to mean that any issue in the case has been decided before all the evidence has been presented and heard during the course of these proceedings. If for any reason the amount of the interim granted herein should be found excessive as regards a final decision in this case, the Company will be required to refund any excess, to include interest at the rate of the Company’s last found rate of return on common equity.

CONCLUSIONS OF LAW

(1) Applicant, Montana-Dakota Utilities Company, is a corporation providing service within the state of Montana and as such is a “public utility” within the meaning of Section 69-3-101, MCA.

(2) The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana Operations pursuant to Title 69, Chapter 3, MCA.

(3) Section 69-3-304, MCA, provides, in part, "The Commission may, in its discretion, temporarily approve increases pending a hearing or final decision."

(4) The rate levels and spread approved herein are a reasonable means of providing interim relief to MDU. The rebate provisions of Section 69-3-304, MCA, protect ratepayers in the event that any revenue increases authorized by this Order are found to be unjustified in the final order in this Docket.

ORDER

(1) Applicant, Montana-Dakota Utilities Company is hereby granted interim relief reflecting findings of fact in this order.

(2) Such relief is to become effective for service rendered on and after December 19, 1983, and remain in effect until such time as a final decision is reached in this matter.

(3) Rates will be filed in such a manner as to maintain the 25 percent rate differential between "Winter" and "Remainder of the Year" rates.

(4) Interim revenues granted herein are subject to rebate should the final order in this docket determine that a lower revenue level is warranted. Such a rebate would include interest at the rate of the Applicant last granted return on common equity.

(5) The Commission determines that this is a complete filing and grants the Company's request for a waiver of the Minimum Filing Requirements.

DONE IN OPEN SESSION this 19th day of December 1983, by a vote of 5—0

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

THOMAS J. SCHNEIDER, Chairman

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

CLYDE JARVIS, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.48.06, ARM.